

ANNUAL BUDGET AND SUPPORTING DOCUMENTATION



DIKGATLONG MUNICIPALITY

ANNUAL BUDGET OF
DIKGATLONG
MUNICIPALITY

2012/13 TO 2014/15
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
M	Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

Over the past year the South African economy has started to recover from the deepest world recession in over 70 years, however the signals are that the recovery is still fragile and many commentators caution that current positive economic trends may be short-lived and that the world economy may yet experience a second recessionary wave. Dikgatlong Municipality was in no way immune to the harsh economic realities associated with the recession. Among the impacts are high unemployment rates, cash flow challenges currently being experienced by the municipality due to among other things declining disposal income levels and increased costs of bulk services – water and electricity.

Over the past two years the Municipality has undertaken a drastic turn around strategy with the support of the Provincial Government. The positive results are now starting to show with increased staff capacity, no bank overdraft, a positive bank balance and improved service delivery. However, there is still some way to go before the municipality can confidently state that it is fully viable and sustainable. For the 2012/13 financial year the turn around strategy will still continue, with the major emphasis on service delivery and improvement of ailing bulk infrastructure.

As with all budgeting processes the municipality is faced with choices that it has to make between competing priorities and fiscal realities. The priorities for this financial year are threefold – service delivery, infrastructure and staff capacity. Along side this is the application of sound financial management principles for the compilation of the Dikgatlong Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

For the forth coming financial year a significant increase will be made towards capital projects, MIG allocation is some R61m impacting mainly on roads and stormwater, the top IDP priority, and as mentioned staff training and capacity building is a priority with a significant financial allocation for improving staff skills. Senior management will be appointed which will improve the overall effectiveness of the Municipality. However, the challenge is still to improve debt collection, which has improved from 12% to over 40%, but is still more emphasis needs to be put on improving debt collection.

M.W. Mogongwa
Mayor
Dikgatlong Municipality

1.2 Council Resolutions

On 31st May 2012 the Council of Dikgatlong Municipality met in the Council Chambers to consider the tabling of the annual budget of the municipality for the financial year 2012/13. The Council approved and adopted the following resolutions:

1. The Council of the Dikgatlong Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 13 on page 21;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 14 on page 23;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 15 on page 24; and
 - 1.1.4. By vote, standard classification and funding source contained in Table 16 on page 26.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 17 on page 28;
 - 1.2.2. Budgeted Cash Flows as contained in Table 18 on page 29;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 19 on page 30;
 - 1.2.4. Asset management as contained in Table 20 on page 30; and
 - 1.2.5. Basic service delivery measurement as contained in Table 21 on page 32.
2. The Council of Dikgatlong Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 31 May 2012:
 - 2.1. the tariffs for property rates – as set out in Table 4 on page 9,
 - 2.2. the tariffs for electricity – as set out in Table 6 on page 10
 - 2.3. the tariffs for the supply of water – as set out in Table 5 on page 9
 - 2.4. the tariffs for sanitation services – as set out in Table 7 on page 11
 - 2.5. the tariffs for solid waste services – as set out in Table 8 on page 12
3. The Council of Dikgatlong Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 31 May 2012 the tariffs for other services, e.g. town planning.
4. To give proper effect to the municipality's annual budget, the Council of Dikgatlong Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

- 4.2. That the municipality be permitted to use the unspent conditional grants and request roll overs of the current financial years conditional grants not yet transferred for the funding of the capital programmes in respect of the 2012/13 financial.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipal's financial plan is essential and critical to ensure that the City remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Dikgatlong Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality of nearly 10 percent of the current financial year's adjusted budget. Key areas where savings were realized were on telephone and internet usage, printing, workshops, national travel, accommodation, and catering.

Dikgatlong Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 58 and 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Sedibeng Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be increased and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2012/13 MTREF process; and
- Unemployment and poverty within the municipal areas.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;

- Tariff and property rate increases should be affordable, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit of R10 million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Special Projects;
 - Consultant Fees;
 - Furniture and office equipment;
 - Special Events;
 - Refreshments and entertainment;
 - Ad-hoc travelling; and
 - Subsistence, Travelling & Conference fees

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

R thousand	Adjustments Budget 2011/12	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Operating Revenue	77,163,000	113,719,000	118,629,000	126,668,000
Total Operating Expenditure	75,533,000	81,381,000	85,094,000	88,647,000
<i>(Surplus)/Deficit for the year</i>	1,630,000	32,338,000	33,535,000	38,021,000
Total Capital Expenditure	30,359,000	75,518,000	71,569,000	73,732,000

Total operating revenue has grown by 47,38 per cent or R36,556 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 4.32 and 6.78 per cent respectively, equating to a total revenue growth of R49,505 million over the MTREF when compared to the 2011/12 financial year.

Total operating expenditure for the 2012/13 financial year has been appropriated at R81,381 million and translates into a budgeted surplus of R1,630 million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 7.74 per cent in the 2012/13 budget and by 4.56 and 4.18 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R38 million and then stabilise at R38 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R75,518 million for 2012/13 is 149 per cent higher when compared to the 2011/12 Adjustment Budget. The increase is due to various projects being not having been implemented although funding has already been received (Unspent Funds) as well as the

government massive infrastructure spending and ensure poverty alleviation and to create jobs for the community. The capital programme decrease to R3,949 million in the 2013/14 financial year and then increase again in 2014/15 to R2.163 million. A substantial portion of the capital budget will be funded from MIG (Municipal Infrastructure Grant) and other sector National and Provincial Departments. The balance will be funded from internally generated funds.

1.4 Operating Revenue Framework

For Dikgatlong Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 50 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source											
Property rates	2	3 568	3 889	4 200	7 500	7 500	7 500	7 500	7 500	8 250	9 075
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	8 911	12 030	14 977	17 000	17 000	17 000	17 000	23 941	25 282	26 672
Service charges - water revenue	2	6 294	6 744	7 282	5 000	5 000	5 000	5 000	14 042	14 814	15 555
Service charges - sanitation revenue	2	1 820	2 111	2 280	2 000	2 000	2 000	2 000	3 016	3 181	3 356
Service charges - refuse revenue	2	3 770	4 147	4 479	2 000	2 000	2 000	2 000	6 770	7 142	7 535
Service charges - other		350	377	393	300	300	300	300	-	-	-
Rental of facilities and equipment		160	207	198	247	247	247	247	300	350	350

Interest earned - external investments		100	120	132	3	3	3	3	50	60	60
Interest earned - outstanding debtors		1 500	1 560	1 680	5 846	5 846	5 846	5 846	6 000	6 500	7 000
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		86	96	105	101	101	101	101	20	150	150
Licences and permits		129	144	158	-	-	-	-	-	-	-
Agency services		488	-	-	-	-	-	-	1 054	1 120	1 183
Transfers recognised – operational		20 699	27 115	34 478	30 209	36 518	36 518	36 518	50 802	51 533	55 463
Other revenue	2	939	142	149	648	648	648	648	225	246	269
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		48 812	58 681	70 512	70 854	77 163	77 163	77 163	113 719	118 629	126 668

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than 50 percent (about 55%) of the total revenue mix. In the 2011/12 financial year, revenue from rates and services charges totalled R39,4 million or 51.25 per cent. This increases to R61,259 million, R65,170 million and R69,193 million in the respective financial years of the MTREF. A notable trend is the stableness in the total percentage revenue generated from rates and services charges which stays the same at 55 per cent in 2011/12 to 55 per cent in 2014/15. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. However the increase is stabilized to the 55 per cent mark as a result of the rapid increase in equitable share. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Electricity is the largest revenue source from services followed by water revenue. The lowest revenue source is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees.

Operating grants and transfers totals R49.302 million in the 2012/13 financial year and steadily increases to R56,646 million by 2015/16. Note that the year-on-year growth for the 2012/13 financial year is 38.8 per cent and then flattens out to 1.5 and 7.6 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
RECEIPTS:	1, 2									

<u>Operating Transfers and Grants</u>										
National Government:		20 699	27 115	34 478	30 209	36 518	36 518	48 248	51 109	54 963
Local Government Equitable Share		–	–	–	–	–	–	–	–	–
Local Government Equitable Share		20 699	27 115	34 478	30 209	36 518	36 518	44 948	48 459	52 263
Finance Management		–	–	–	–	–	–	1 500	1 750	1 750
Municipal Systems Improvement		–	–	–	–	–	–	800	900	950
EPWP Incentive		–	–	–	–	–	–	1 000	–	–
Provincial Government:		–	–	–	–	–	–	1 054	1 120	1 183
Sport and Recreation		–	–	–	–	–	–	1 054	1 120	1 183
Total Operating Transfers and Grants	5	20 699	27 115	34 478	30 209	36 518	36 518	49 302	52 229	56 146

The percentage increases of both Eskom and Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 58 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a 10 per cent increase from 1 July 2012 is contained below:

Table 4 Comparison of proposed rates to levied for the 2012/13 financial year

Category	Current Tariff (1 July 2011)	Proposed tariff (from 1 July 2012)
	c	C

State owned properties	2.95	3.245
Business & Commercial	2.35	2.585
Vacant land	2,35	2.858
Section 17g properties	2.35	2.585
Public benefit organisation properties	-	-

1.4.2 Sale of Water and Impact of Tariff Increases

A tariff increase of 10 per cent from 1 July 2012 for water is proposed. This is based on input cost assumptions of 8.5 per cent increase in the cost of bulk water (Sedibeng and Vaalharts), and a 0 per cent increase for 2011/12. In addition 6 kℓ water per 30-day period will again be granted free of charge to all indigents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 5 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
(i) Basic charge	46.90	51.59
(ii) 0 to 6 kℓ per 30-day period	5.39	5.93
(ii) 6 to 20 kℓ per 30-day period	6.05	6.66
(iii) 21+ kℓ per 30-day period	7.08	7.79
(v) Deposit	313	344.30
(vi) Re –Connection Fee	238	261.80
(vii) Test of meter	313	344.30
(viii) Untreated canal water	140	154.00
NON-RESIDENTIAL		
(i) Basic charge	120.00	141.90
(ii) 0 to 6 kℓ per 30-day period	6.10	6.71
(ii) 6 to 20 kℓ per 30-day period	6.86	7.55
(iii) 21+ kℓ per 30-day period	7.15	7.86
(v) Deposit	562.00	618.20
(vi) Re –Connection Fee	421.00	463.10
(vii) Test of meter	313.00	344.30
INDUSTRIAL		
(i) Basic charge	199.40	214.34
(ii) 0 to 100 kℓ per 30-day period	5.52	6.07
(ii) 101 to 400 kℓ per 30-day period	6.10	6.71
(iii) 401+ kℓ per 30-day period	7.15	7.87
(v) Deposit	1290.00	1419.00
(vi) Re –Connection Fee	572.00	629.20
(vii) Test of meter	313.00	344.30
(viii) Untreated canal water	4.47	4.92
(viii) Temporary Connection per kl	7,89	8,68

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 16.9 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by 11.03 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 100 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs:

Table 6 Comparison between current electricity charges and increases (Domestic)

Monthly Consumption KWH	Current Amount Payable (R)	Proposed Amount Payable (R)	Difference (Increase)	Percentage Chage
HOUSEHOLDS				
Monthly Basic Charge	128.80	142.00	13.20	10%
Unit Charge KWH	1.10	1.32	0.20	11.03%
Pre – paid	1.19	1.32	0.13	11.03%
Re – Connection Fee	298.00	328.00	30.00	10%
Test of Meter	440	484	44	10%
Tampering Penalty	952	1047	95	10%
Deposit	678	746	68	10%
BUSINESS				
Monthly Basic Charge	226.00	249.00	23.00	10%
Unit Charge KWH	1.20	1.33	0.33	11.03%
Pre – paid	1.20	1.33	0.33	11.03%
Re – Connection Fee	678.00	746.00	68	10%
Test of Meter	440	484	44	10%
Tampering Penalty	2 380	2 618	238.00	10%
Deposit	2 035.00	2 239	204	10%
INDUSTRIAL				
Monthly Basic Charge KWH	400.00	441.00	41	10%
Unit Cost KWH	1.20	1.33	0.33	11.03%
Cost per KVA	678.00	746.00	68	10%
Test of Meter	440	484	44	10%
Tampering Penalty	2 000	2 000	0	10%
Deposit	2 035.00	2 239	204	10%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Dikgatlong Municipality is in the process of entering into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Dikgatlong Municipality will maintain the current stepped structure of its electricity tariffs.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 10 per cent for sanitation from 1 July 2012 is proposed. This is based on the input cost assumptions related to water. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (98 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R3,016 million for the 2012/13 financial year.

The following table compares the current and proposed tariffs:

Table 7 Comparison between current sanitation charges and increases

Description	CURRENT TARIFF 2011/12	PROPOSED TARIFF 2012/13	Difference (increase)	Percentage Increase
		R		R
VACUUM TANK – SMALL				
Households	78.00	86.00	8.00	10%
Other (business etc)	216.00	238.00	22.00	10%
VACUUM TANK – LARGE				
Households	146.00	161.00	15.00	10%
Business	224.00	246.00	22.00	10%
Industrial	254.00	279.00	25.00	10%
BUCKETS				
Households	61.00	67.00	6.00	10%
Extra per week	10.00	11.00	1.00	10%

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Dikgatlong Municipality have to implement a solid waste strategy to ensure that this service can be

rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 10 per cent increase in the waste removal tariff is proposed from 1 July 2012. Higher increases will not be viable in 2012/13 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 10 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2012:

Table 8 Comparison between current waste removal fees and increases

DESCRIPTION	CURRENT TARIFF 2011/12	PROPOSED TARIFF 2012/13	Difference (increase)	Percentage Increase
Households	76.00	83.60	7.60	10%
Business	173.00	190.30	17.30	10%
Industrial	160.00	176.00	16.00	10%
Garden	203.00	223.00	20.00	10%
Building Rubble	362.00	398.00	36.00	10%
Blue containers	180.00	198.00	18.00	10%
FINES				
Fine for dumping	500.00	550.00	50.00	10%
Municipal removal of dumping	750.00	825.00	75.00	10%
Cleaning of empty Stands	500.00	550.00	50.00	10%

1.4.6 Overall impact of tariff increases on households

In all instances the overall impact of the tariff increases on household's bills has been kept to between 10 and 11 per cent.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 9 Summary of operating expenditure by standard classification item

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Expenditure By Type	-										
Employee related costs	2	18 122	22 690	24 317	27 688	22 927	22 927	22 927	28 613	30 096	31 410
Remuneration of councillors		1 409	1 601	1 758	2 901	2 901	2 901	2 901	3 191	3 510	3 861
Debt impairment	3	691	1 578	3 063	2 606	2 606	2 606	2 606	6 000	6 500	7 000
Depreciation & asset impairment	2	-	-	-	-	-	-	-	-	-	-
Finance charges		662	701	1 879	-	-	-	-	294	400	400
Bulk purchases	2	11 851	14 919	19 942	18 000	22 800	22 800	22 800	25 001	26 376	27 687
Other materials	8	808	914	999	-	-	-	-	-	-	-
Contracted services		816	1 200	1 320	-	-	-	-	1 000	1 200	1 300
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	11 441	12 483	14 526	18 379	24 299	24 299	24 299	17 282	17 012	16 989
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		45 799	56 086	67 803	69 574	75 533	75 533	75 533	81 381	85 094	88 647

The budgeted allocation for employee related costs for the 2012/13 financial year totals R28, 613 million, which equals 35 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 5 per cent for the 2012/13 financial year. An annual increase of 5 per cent has been included in the two outer years of the MTREF. The inclusion of R6 million in the 2012/13 financial year relating to critical and strategically important vacancies. In addition expenditure against overtime was significantly reduced with provisions against this budget item only being provided for emergency services and other critical functions.

The settlement reached by the SALGBC parties in the salary dispute resulted in a further financial implication on this area of expenditure. No preliminary amounts has been included in the 2012/13 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalised.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 35 per cent and the Debt Write-off Policy of the Municipality. For the 2012/13 financial year this amount equates to R6 million and escalates to R7 million by 2014/15. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. However none has been determined as the Municipality is busy with an assignment to unbundle all fixed assets in order to comply with GRAP 17. Base on the outcome of this exercise the municipality would be in a position to actually determine depreciation and asset impairment. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This will have a significant implication in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 5 per cent (R294 000) of operating expenditure excluding annual redemption for 2012/13 and increases to R400 000 by 2014/15. As previously noted, the Municipality has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it is kept close to 4 per cent over the MTREF.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Sedibeng Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Contracted Services has been increase as a result of the appointment of consultants to unbundle all fixed assets and compile a GRAP 17 compliant fixed asset register. As part of the compilation of the 2012/13 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. . The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5 per cent for 2012/13 and curbed at 6.2 and 5.9 per cent for the two outer years, indicating that significant cost savings have been already realised.

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in the area of asset maintenance. During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was decreased in the 2011/12 financial year, from R1.4 million to R0.8 million on own budget, however, this was substantially increased by a further allocation of R3 million from the District Municipality (own budget). Notwithstanding this reduction on own budget, as part of the

2012/13 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 1.5 per cent for the current financial year of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 10 Repairs and maintenance per asset class

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Repairs and Maintenance by Asset Class	3	4 009	3 705	4 232	1 695	1 465	1 465	828	784	1 281
<i>Infrastructure - Road transport</i>		126	128	141	–	–	–	50	60	60
<i>Infrastructure - Electricity</i>		692	757	832	–	–	–	50	60	60
<i>Infrastructure - Water</i>		146	159	183	–	–	–	50	60	60
<i>Infrastructure - Sanitation</i>		–	–	–	–	–	–	50	60	600
<i>Infrastructure - Other</i>		90	48	52	–	–	–	50	60	60
Infrastructure		1 054	1 092	1 208	–	–	–	250	300	840
Community		140	346	374	–	–	–	328	384	391
Heritage assets		537	665	737	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	2 279	1 602	1 912	1 695	1 465	1 465	250	100	50
TOTAL EXPENDITURE OTHER ITEMS		4 009	3 705	4 232	1 695	1 465	1 465	828	784	1 281

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 5 000 or more indigent households during the 2012/13 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 11 2012/13 Medium-term capital budget per vote

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732
<i>Infrastructure - Road transport</i>		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
<i>Infrastructure - Electricity</i>		3 795	952	897	897	897	897	2 897	4 242	4 897
<i>Infrastructure - Water</i>		2 149	7 902	12 400	-	-	-	500	40 000	40 000
<i>Infrastructure - Sanitation</i>		3 231	4 775	5 336	-	-	-	2 000	4 725	7 275
Infrastructure		11 819	15 867	23 633	28 207	29 626	29 626	61 314	71 265	73 482
Community		224	-	600	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	13 500	-	-
Other assets	6	605	647	907	-	-	-	520	304	250
Intangibles		-	-	-	-	-	-	184	-	-
TOTAL CAPITAL EXPENDITURE – New Assets	2	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732
<u>Total Capital Expenditure</u>	4									
<i>Infrastructure - Road transport</i>		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
<i>Infrastructure - Electricity</i>		3 795	952	897	897	897	897	2 897	4 242	4 897
<i>Infrastructure - Water</i>		2 149	7 902	12 400	-	-	-	500	40 000	40 000
<i>Infrastructure - Sanitation</i>		3 231	4 775	5 336	-	-	-	2 000	4 725	7 275
<i>Infrastructure - Other</i>		-	-	-	-	-	-	-	-	-
Infrastructure		11 819	15 867	23 633	28 207	29 626	29 626	61 314	71 265	73 482
Community		224	-	600	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	13 500	-	-
Other assets		605	647	907	-	-	-	520	304	250
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	184	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732

For 2012/13 an amount of R74,814 million has been appropriated for the development of infrastructure which represents 99 per cent of the total capital budget. In the outer years this amount totals R71, 264 million, 99 per cent and R73,482 million, 99 per cent respectively for each of the financial years. Transport and roads receives the highest allocation of in 2012/13 by electricity infrastructure and then waste water (sanitation).

Total new assets represent 100% of the total capital budget.

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included . It needs to be noted that as part of the 2012/13 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables

The following present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by the Council.

Table 12 MBRR Table A1 - Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Financial Performance</u>										
Property rates	3 568	3 889	4 200	7 500	7 500	7 500	7 500	7 500	8 250	9 075
Service charges	21 144	25 409	29 411	26 300	26 300	26 300	26 300	47 768	50 419	53 118
Investment revenue	100	120	132	3	3	3	3	50	60	60
Transfers recognised - operational	20 699	27 115	34 478	30 209	36 518	36 518	36 518	50 802	51 533	55 463
Other own revenue	3 301	2 148	2 291	6 842	6 842	6 842	6 842	7 599	8 366	8 952
	48 812	58 681	70 512	70 854	77 163	77 163	77 163	113 719	118 629	126 668
Total Revenue (excluding capital transfers and contributions)										
Employee costs	18 122	22 690	24 317	27 688	22 927	22 927	22 927	28 613	30 096	31 410
Remuneration of councillors	1 409	1 601	1 758	2 901	2 901	2 901	2 901	3 191	3 510	3 861
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-
Finance charges	662	701	1 879	-	-	-	-	294	400	400
Materials and bulk purchases	12 659	15 833	20 941	18 000	22 800	22 800	22 800	25 001	26 376	27 687
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	12 948	15 261	18 909	20 985	26 905	26 905	26 905	24 282	24 712	25 289
Total Expenditure	45 799	56 086	67 803	69 574	75 533	75 533	75 533	81 381	85 094	88 647
Surplus/(Deficit)	3 013	2 595	2 709	1 280	1 630	1 630	1 630	32 338	33 535	38 021
Transfers recognised - capital	15 016	15 867	23 863	27 340	28 729	28 729	28 729	43 180	71 341	73 482
Contributions recognised - capital & contributed assets	(12 115)	(15 913)	(24 539)	(28 620)	(30 359)	(30 359)	(30 359)	(75 518)	(71 569)	(73 732)
	5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
Surplus/(Deficit) after capital transfers & contributions										
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
<u>Capital expenditure & funds sources</u>										
Capital expenditure	15 016	16 097	23 863	28 620	30 359	30 359	30 359	75 518	71 569	73 732
Transfers recognised - capital	13 618	15 867	23 633	27 340	28 729	28 729	28 729	74 814	71 265	73 482
Public contributions & donations	1 053	-	-	-	-	-	-	-	-	-
Borrowing	345	-	-	-	-	-	-	-	-	-
Internally generated funds	-	1 111	1 136	1 280	1 630	1 630	1 630	704	304	250
Total sources of capital funds	15 016	16 978	24 769	28 620	30 359	30 359	30 359	75 518	71 569	73 732
<u>Financial position</u>										
Total current assets	-	-	-	43 267	43 267	43 267	43 267	52 067	56 844	59 896
Total non current assets	2 349	2 902	4 455	31 988	3 468	31 988	31 988	157 701	143 369	146 071
Total current liabilities	-	-	-	17 171	17 171	17 171	17 171	17 299	25 956	23 752
Total non current liabilities	-	-	-	1 102	1 102	1 102	1 102	1 500	3 500	3 500
Community wealth/Equity	1 000	1 000	1 000	11 869	11 869	11 869	11 869	12 522	13 774	14 545
<u>Cash flows</u>										
Net cash from (used) operating	11 963	17 054	24 984	28 619	27 816	27 816	27 816	44 823	77 539	84 302
Net cash from (used) investing	(15 016)	(16 743)	(24 769)	(28 620)	(28 620)	(28 620)	(28 620)	(75 518)	(71 569)	(73 732)

Net cash from (used) financing	115	(230)	(230)	500	500	500	500	(1 500)	(1 500)	(1 500)
Cash/cash equivalents at the year end	4 819	4 900	4 885	5 385	4 581	4 582	4 582	(27 614)	(23 144)	(14 074)
Cash backing/surplus reconciliation										
Cash and investments available	2 349	2 902	4 455	26 551	26 551	26 551	26 551	31 269	33 149	34 759
Application of cash and investments	-	-	-	(8 167)	(5 202)	(5 202)	(5 202)	1 567	8 036	4 060
Balance - surplus (shortfall)	2 349	2 902	4 455	34 718	31 753	31 753	31 753	29 702	25 113	30 699
Asset management										
Asset register summary (WDV)	-	-	-	28 829	28 829	28 829	75 518	75 518	71 569	73 732
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	4 009	3 705	4 232	1 695	1 465	1 465	828	828	784	1 281
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	1 200	1 200	1 266	1 336
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - Capital expenditure is balanced by capital funding sources, of which
 - Transfers recognised is reflected on the Financial Performance Budget;
 - Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
- The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and

consequently many of its obligations are not cash-backed. Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2013/14, when a small surplus is reflected.

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been very nearly eliminated.

Table 13 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		28 136	34 546	42 728	97 545	105 243	105 243	62 748	67 059	72 248
Executive and council		27 922	34 306	42 465	-	-	-	-	-	-
Budget and treasury office		214	240	264	97 545	105 243	105 243	62 748	67 059	72 248
Corporate services		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		986	320	910	-	-	-	1 112	1 188	1 272
Community and social services		761	64	669	-	-	-	1 112	1 188	1 272
Sport and recreation		175	184	187	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		50	72	55	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		2 649	2 244	5 012	-	-	-	40 771	22 336	21 350
Planning and development		-	-	-	-	-	-	36	38	40
Road transport		2 649	2 244	5 012	-	-	-	40 735	22 298	21 310
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		30 319	39 038	48 044	-	-	-	52 268	99 386	105 290
Electricity		12 849	13 133	16 025	-	-	-	25 941	29 524	31 569
Water		8 649	14 872	19 924	-	-	-	14 542	54 814	55 555
Waste water management		5 051	6 886	7 616	-	-	-	3 016	3 181	3 356
Waste management		3 770	4 147	4 479	-	-	-	8 770	11 867	14 810
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	62 090	76 148	96 695	97 545	105 243	105 243	156 899	189 970	200 160
Expenditure - Standard	-									
<i>Governance and administration</i>		23 312	25 421	31 389	49 105	55 853	55 853	37 545	41 364	45 219
Executive and council		22 182	18 397	22 574	7 164	6 971	6 971	8 497	9 186	9 751
Budget and treasury office		1 130	5 441	6 804	38 767	46 657	46 657	21 969	24 747	27 824
Corporate services		-	1 582	2 011	3 174	2 225	2 225	7 079	7 431	7 644
<i>Community and public safety</i>		3 241	4 938	5 378	6 048	6 749	6 749	3 632	3 841	3 940
Community and social services		1 582	2 967	3 258	3 824	3 249	3 249	3 632	3 841	3 940
Sport and recreation		1 266	1 445	1 551	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		393	526	570	2 224	3 500	3 500	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		4 189	5 451	8 271	28 063	29 960	29 960	75 916	29 017	28 293
Planning and development		-	1 961	1 883	791	1 518	1 518	19 242	5 944	6 174
Road transport		4 189	3 489	6 388	27 272	28 442	28 442	56 674	23 073	22 119
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		31 348	40 338	51 657	14 329	12 681	12 681	39 806	82 441	84 927
Electricity		12 858	12 844	15 610	2 234	2 234	2 234	23 602	26 037	27 881
Water		9 894	17 067	24 387	5 667	4 491	4 491	10 419	50 422	50 805
Waste water management		6 880	8 280	9 211	6 428	5 956	5 956	5 343	5 585	5 825
Waste management		1 716	2 147	2 450	-	-	-	443	397	417
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	62 090	76 148	96 695	97 545	105 244	105 244	156 900	156 663	162 379
Surplus/(Deficit) for the year		(0)	(0)	-	-	(0)	(0)	(0)	33 307	37 781

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 14 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
<u>Revenue by Vote</u>	1									
Vote 1 - MAYOR AND COUNCIL		24 267	31 006	38 681	-	-	-	-	-	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		3 655	3 300	3 784	-	-	-	-	-	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)		214	240	264	97 545	105 243	105 243	62 748	67 059	72 248
Vote 4 - CORPORATE SERVICES		502	15	15	-	-	-	1 062	1 128	1 192
Vote 5 - TECHNICAL SERVICES		33 452	41 587	53 952	-	-	-	93 089	121 782	126 720
Total Revenue by Vote	2	62 090	76 148	96 695	97 545	105 243	105 243	156 899	189 970	200 160
<u>Expenditure by Vote to be appropriated</u>	1									
Vote 1 - MAYOR AND COUNCIL		7 248	10 661	13 542	6 047	6 410	6 410	7 448	7 948	8 466
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		14 668	7 413	8 652	1 118	561	561	1 049	1 238	1 285
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)		1 129	5 441	6 804	38 767	46 657	46 657	21 969	24 747	27 824
Vote 4 - CORPORATE SERVICES		1 371	3 224	3 229	4 478	3 314	3 314	8 513	8 962	9 204
Vote 5 - TECHNICAL SERVICES		37 674	49 409	64 468	47 137	48 302	48 302	117 920	113 768	115 600
Total Expenditure by Vote	2	62 090	76 148	96 695	97 545	105 244	105 244	156 900	156 663	162 379
Surplus/(Deficit) for the year	2	-	-	-	0	(0)	(0)	(0)	33 307	37 781

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Dikgatlong Municipality. This

means it is possible to present the operating surplus or deficit of a vote.

Table 15 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre- audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source											
Property rates	2	3 568	3 889	4 200	7 500	7 500	7 500	7 500	7 500	8 250	9 075
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	8 911	12 030	14 977	17 000	17 000	17 000	17 000	23 941	25 282	26 672
Service charges - water revenue	2	6 294	6 744	7 282	5 000	5 000	5 000	5 000	14 042	14 814	15 555
Service charges - sanitation revenue	2	1 820	2 111	2 280	2 000	2 000	2 000	2 000	3 016	3 181	3 356
Service charges - refuse revenue	2	3 770	4 147	4 479	2 000	2 000	2 000	2 000	6 770	7 142	7 535
Service charges - other		350	377	393	300	300	300	300	-	-	-
Rental of facilities and equipment		160	207	198	247	247	247	247	300	350	350
Interest earned - external investments		100	120	132	3	3	3	3	50	60	60
Interest earned - outstanding debtors		1 500	1 560	1 680	5 846	5 846	5 846	5 846	6 000	6 500	7 000
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		86	96	105	101	101	101	101	20	150	150
Licences and permits		129	144	158	-	-	-	-	-	-	-
Agency services		488	-	-	-	-	-	-	1 054	1 120	1 183
Transfers recognised – operational		20 699	27 115	34 478	30 209	36 518	36 518	36 518	50 802	51 533	55 463
Other revenue	2	939	142	149	648	648	648	648	225	246	269
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		48 812	58 681	70 512	70 854	77 163	77 163	77 163	113 719	118 629	126 668
Expenditure By Type											
Employee related costs	2	18 122	22 690	24 317	27 688	22 927	22 927	22 927	28 613	30 096	31 410
Remuneration of councillors		1 409	1 601	1 758	2 901	2 901	2 901	2 901	3 191	3 510	3 861
Debt impairment	3	691	1 578	3 063	2 606	2 606	2 606	2 606	6 000	6 500	7 000
Depreciation & asset impairment	2	-	-	-	-	-	-	-	-	-	-
Finance charges		662	701	1 879	-	-	-	-	294	400	400
Bulk purchases	2	11 851	14 919	19 942	18 000	22 800	22 800	22 800	25 001	26 376	27 687
Other materials	8	808	914	999	-	-	-	-	-	-	-
Contracted services		816	1 200	1 320	-	-	-	-	1 000	1 200	1 300
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	11 441	12 483	14 526	18 379	24 299	24 299	24 299	17 282	17 012	16 989
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		45 799	56 086	67 803	69 574	75 533	75 533	75 533	81 381	85 094	88 647
Surplus/(Deficit)		3 013	2 595	2 709	1 280	1 630	1 630	1 630	32 338	33 535	38 021
Transfers recognised - capital	6	15 016	15 867	23 863	27 340	28 729	28 729	28 729	43 180	71 341	73 482
Contributions recognised - capital		(12 115)	(15 913)	(24 539)	(28 620)	(30 359)	(30 359)	(30 359)	(75 518)	(71 569)	(73 732)
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
Attributable to minorities		-	-	-	-	-	-	-	-	-	-

Surplus/(Deficit) attributable to municipality		5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		5 914	2 549	2 033	(0)	0	(0)	(0)	(0)	33 307	37 771

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R113,719 million in 2012/13 and escalates to R126,668 million by 2014/15. This represents a year-on-year increase of 47.38 per cent for the 2012/13 financial year and 4.31 per cent for the 2013/14 financial year and 6.77 per cent for the 2014/2015 financial year.
2. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Dikgatlong Municipality. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 10 per cent per year.

Figure 1 Expenditure by major type

4. Bulk purchases have significantly increased over the 2008/09 to 2011/12 period escalating from R11.9 million to R22 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Sedibeng and Vaalharts.
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 16 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Capital expenditure - Vote Multi-year expenditure to be appropriated</u>	2										
Vote 1 - MAYOR AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)		-	-	-	-	-	-	-	-	-	-
Vote 4 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		-	-	-	-	-	-	-	50 317	67 023	48 635
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	50 317	67 023	48 635
<u>Single-year expenditure to be appropriated</u>	2										
Vote 1 - MAYOR AND COUNCIL		-	-	-	480	480	480	480	18	-	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)		-	-	-	800	1 150	1 150	1 150	50	-	-
Vote 4 - CORPORATE SERVICES		-	-	-	-	-	-	-	236	79	20
Vote 5 - TECHNICAL SERVICES		15 016	16 097	23 863	27 340	28 729	28 729	28 729	24 897	4 467	25 077
Capital single-year expenditure sub-total		15 016	16 097	23 863	28 620	30 359	30 359	30 359	25 201	4 546	25 097
Total Capital Expenditure - Vote		15 016	16 097	23 863	28 620	30 359	30 359	30 359	75 518	71 569	73 732
<u>Capital Expenditure - Standard</u>											
<i>Governance and administration</i>		-	-	-	1 280	1 630	1 630	1 630	304	79	20
Executive and council		-	-	-	480	480	480	480	18	-	-
Budget and treasury office		-	-	-	800	1 150	1 150	1 150	50	-	-
Corporate services		-	-	-	-	-	-	-	236	79	20
<i>Community and public safety</i>		1 923	-	-	-	-	-	-	13 730	210	205
Community and social services		1 923	-	-	-	-	-	-	220	210	205
Housing		-	-	-	-	-	-	-	13 510	-	-
<i>Economic and environmental services</i>		5 247	2 238	5 000	27 340	28 729	28 729	28 729	56 087	22 308	21 320
Planning and development		-	-	-	-	-	-	-	170	10	10
Road transport		5 247	2 238	5 000	27 340	28 729	28 729	28 729	55 917	22 298	21 310
<i>Trading services</i>		7 845	13 858	18 863	-	-	-	-	5 397	48 972	52 187
Electricity		2 702	1 182	1 127	-	-	-	-	2 897	4 242	4 897

Water		1 201	7 902	12 400	-	-	-	-	500	40 005	40 015
Waste management		3 942	4 775	5 336	-	-	-	-	2 000	4 725	7 275
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	15 016	16 097	23 863	28 620	30 359	30 359	30 359	75 518	71 569	73 732
<u>Funded by:</u>											
National Government		9 825	13 367	22 233	27 340	28 729	28 729	28 729	74 814	71 265	73 482
Provincial Government		1 405	-	-	-	-	-	-	-	-	-
District Municipality		2 388	2 500	400	-	-	-	-	-	-	-
Transfers recognised - capital	4	13 618	15 867	23 633	27 340	28 729	28 729	28 729	74 814	71 265	73 482
Public contributions & donations	5	1 053	-	-	-	-	-	-	-	-	-
Borrowing	6	345	-	-	-	-	-	-	-	-	-
Internally generated funds		-	1 111	1 136	1 280	1 630	1 630	1 630	704	304	250
Total Capital Funding	7	15 016	16 978	24 769	28 620	30 359	30 359	30 359	75 518	71 569	73 732

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. The allocation of R75.518 million in 2012/13 and then declines to R71.569 million in 2013/14 owing primarily to the fact that various projects reach completion in 2012/13.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital programme is funded from capital and provincial/national grants and transfers.

Table 17 MBRR Table A6 - Budgeted Financial Position

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre- audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
ASSETS											
Current assets											
Cash		–	–	–	4 885	4 885	4 885	4 885	7 572	7 988	8 827
Call investment deposits	1	–	–	–	18 298	18 298	18 298	18 298	20 144	21 252	21 805
Consumer debtors	1	–	–	–	20 084	20 084	20 084	20 084	24 351	27 604	29 265
Total current assets		–	–	–	43 267	43 267	43 267	43 267	52 067	56 844	59 896
Non current assets											
Investments		2 349	2 902	4 455	3 368	3 368	3 368	3 368	3 553	3 908	4 127
Property, plant and equipment	3	–	–	–	–	–	–	–	73 630	67 892	68 212
Intangible		–	–	–	100	100	100	100	184	39	–
Other non-current assets		–	–	–	28 520	–	28 520	28 520	80 334	71 530	73 732
Total non current assets		2 349	2 902	4 455	31 988	3 468	31 988	31 988	157 701	143 369	146 071
TOTAL ASSETS		2 349	2 902	4 455	75 255	46 735	75 255	75 255	209 768	200 214	205 967
LIABILITIES											
Current liabilities											
Borrowing	4	–	–	–	2 545	2 545	2 545	2 545	2 799	2 956	3 252
Consumer deposits		–	–	–	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Trade and other payables	4	–	–	–	10 520	10 520	10 520	10 520	7 000	15 000	12 000
Provisions		–	–	–	2 606	2 606	2 606	2 606	6 000	6 500	7 000
Total current liabilities		–	–	–	17 171	17 171	17 171	17 171	17 299	25 956	23 752
Non current liabilities											
Borrowing		–	–	–	–	–	–	–	–	–	–
Provisions		–	–	–	1 102	1 102	1 102	1 102	1 500	3 500	3 500
Total non current liabilities		–	–	–	1 102	1 102	1 102	1 102	1 500	3 500	3 500
TOTAL LIABILITIES		–	–	–	18 273	18 273	18 273	18 273	18 799	29 456	27 252
NET ASSETS	5	2 349	2 902	4 455	56 982	28 462	56 982	56 982	190 969	170 758	178 716
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		1 000	1 000	1 000	11 869	11 869	11 869	11 869	12 522	13 774	14 545
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	1 000	1 000	1 000	11 869	11 869	11 869	11 869	12 522	13 774	14 545

Table 18 MBRR Table A7 - Budgeted Cash Flow Statement

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		22 496	29 680	34 222	34 241	28 241	28 241	28 241	23 062	31 483	35 104
Government - operating	1	22 429	29 232	37 243	42 223	43 139	43 139	43 139	51 856	51 109	54 963
Government - capital	1	11 818	15 867	23 633	15 233	22 015	22 015	22 015	43 180	71 341	73 482
Interest		2 667	1 680	1 812	5 848	5 848	5 848	5 848	2 400	2 600	2 800
Payments											
Suppliers and employees		(46 785)	(58 703)	(70 047)	(68 776)	(71 277)	(71 277)	(71 277)	(75 381)	(78 594)	(81 647)
Finance charges		(662)	(701)	(1 879)	(150)	(150)	(150)	(150)	(294)	(400)	(400)
NET CASH FROM/(USED) OPERATING ACTIVITIES		11 963	17 054	24 984	28 619	27 816	27 816	27 816	44 823	77 539	84 302
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Payments											
Capital assets		(15 016)	(16 743)	(24 769)	(28 620)	(28 620)	(28 620)	(28 620)	(75 518)	(71 569)	(73 732)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(15 016)	(16 743)	(24 769)	(28 620)	(28 620)	(28 620)	(28 620)	(75 518)	(71 569)	(73 732)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		345	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Payments											
Repayment of borrowing		(230)	(230)	(230)	(1 000)	(1 000)	(1 000)	(1 000)	(3 000)	(3 000)	(3 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		115	(230)	(230)	500	500	500	500	(1 500)	(1 500)	(1 500)
NET INCREASE/ (DECREASE) IN CASH HELD		(2 937)	81	(15)	499	(304)	(304)	(304)	(32 195)	4 470	9 070
Cash/cash equivalents at the year begin:	2	7 756	4 819	4 900	4 885	4 885	4 885	4 885	4 582	(27 614)	(23 144)
Cash/cash equivalents at the year end:	2	4 819	4 900	4 885	5 385	4 581	4 582	4 582	(27 614)	(23 144)	(14 074)

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality increased over the 2007/08 to 2011/12.
4. The approved 2012/13 MTREF provides for a further net increase and also for the outer years.

Table 19 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Cash and investments available</u>											
Cash/cash equivalents at the year end	1	4 819	4 900	4 885	5 385	4 581	4 582	4 582	(27 614)	(23 144)	(14 074)
Other current investments > 90 days		(4 819)	(4 900)	(4 885)	17 799	18 602	18 602	18 601	55 329	52 384	44 705
Non current assets - Investments	1	2 349	2 902	4 455	3 368	3 368	3 368	3 368	3 553	3 908	4 127
Cash and investments available:		2 349	2 902	4 455	26 551	26 551	26 551	26 551	31 269	33 149	34 759
<u>Application of cash and investments</u>											
Unspent conditional transfers		-	-	-	-	-	-	-	-	8 000	5 000
Statutory requirements	2	-	-	-	-	-	-	-	(2 000)	(2 000)	(2 000)
Other working capital requirements	3	-	-	-	(8 167)	(5 202)	(5 202)	(5 202)	(3 933)	(7 964)	(9 440)
Other provisions		-	-	-	-	-	-	-	1 500	3 500	3 500
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	6 000	6 500	7 000
Total Application of cash and investments:		-	-	-	(8 167)	(5 202)	(5 202)	(5 202)	1 567	8 036	4 060
Surplus(shortfall)		2 349	2 902	4 455	34 718	31 753	31 753	31 753	29 702	25 113	30 699

Table 20 MBRR Table A9 - Asset Management

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732
Infrastructure - Road transport		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
Infrastructure - Electricity		3 795	952	897	897	897	897	2 897	4 242	4 897
Infrastructure - Water		2 149	7 902	12 400	-	-	-	500	40 000	40 000
Infrastructure - Sanitation		3 231	4 775	5 336	-	-	-	2 000	4 725	7 275
Infrastructure		11 819	15 867	23 633	28 207	29 626	29 626	61 314	71 265	73 482
Community		224	-	600	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	13 500	-	-
Other assets	6	605	647	907	-	-	-	520	304	250
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	184	-	-
<u>Total Renewal of Existing Assets</u>	2	-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	4									
Infrastructure - Road transport		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
Infrastructure - Electricity		3 795	952	897	897	897	897	2 897	4 242	4 897
Infrastructure - Water		2 149	7 902	12 400	-	-	-	500	40 000	40 000
Infrastructure - Sanitation		3 231	4 775	5 336	-	-	-	2 000	4 725	7 275
Infrastructure		11 819	15 867	23 633	28 207	29 626	29 626	61 314	71 265	73 482
Community		224	-	600	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	13 500	-	-
Other assets		605	647	907	-	-	-	520	304	250
Intangibles		-	-	-	-	-	-	184	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport		-	-	-	28 729	28 729	28 729	55 917	22 298	21 310
Infrastructure - Electricity		-	-	-	-	-	-	2 897	4 242	4 897
Infrastructure - Water		-	-	-	-	-	-	500	40 000	40 000
Infrastructure - Other		-	-	-	-	-	-	15 500	4 725	7 275
Infrastructure		-	-	-	28 729	28 729	28 729	74 814	71 265	73 482
Other assets		-	-	-	-	-	-	520	265	250
Intangibles		-	-	-	100	100	100	184	39	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	-	-	-	28 829	28 829	28 829	75 518	71 569	73 732
EXPENDITURE OTHER ITEMS										

<u>Depreciation & asset impairment</u> <u>Repairs and Maintenance by Asset Class</u>										
	3	-	-	-	-	-	-	-	-	-
		4 009	3 705	4 232	1 695	1 465	1 465	828	784	1 281
<i>Infrastructure - Road transport</i>		126	128	141	-	-	-	50	60	60
<i>Infrastructure - Electricity</i>		692	757	832	-	-	-	50	60	60
<i>Infrastructure - Water</i>		146	159	183	-	-	-	50	60	60
<i>Infrastructure - Sanitation</i>		-	-	-	-	-	-	50	60	600
<i>Infrastructure - Other</i>		90	48	52	-	-	-	50	60	60
Infrastructure		1 054	1 092	1 208	-	-	-	250	300	840
Community		140	346	374	-	-	-	328	384	391
Heritage assets		537	665	737	-	-	-	-	-	-
Other assets	6, 7	2 279	1 602	1 912	1 695	1 465	1 465	250	100	50
TOTAL EXPENDITURE OTHER ITEMS		4 009	3 705	4 232	1 695	1 465	1 465	828	784	1 281
<i>Renewal of Existing Assets as % of total capex</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Renewal of Existing Assets as % of deprecn"</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>R&M as a % of PPE</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>1.1%</i>	<i>1.2%</i>	<i>1.9%</i>
<i>Renewal and R&M as a % of PPE</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>6.0%</i>	<i>5.0%</i>	<i>5.0%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>2.0%</i>

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

Table 21 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	400	422	445
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	800	844	890
Total cost of FBS provided (minimum social package)		-	-	-	-	-	-	1 200	1 266	1 336

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the Municipality to provide general political guidance to the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the mayor of the Municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Municipality has not established a Budget Steering Committee, however a Finance Committee has been established, and in effect functions as the Budget Steering Committee.

Apart from quarterly Finance Committee meetings, the functions of the Finance Committee with regards to the Budget are as follows:

- That the process followed to compile the budget complies with legislation and budget processes
- There is alignment of the budget with council priorities and the IDP
- That the municipality's revenue and tariff setting ensure cash resources needed to deliver services
- That the priorities are properly evaluated and sufficient resources are allocated.

2.1.1 Budget process overview

A time schedule was established 10 months before the budget setting out a process to revise the IDP and budget.

- A schedule of the process was submitted in September 2011
- Departments were consulted with regard to key capital and operating proposals with regard to a budget adjustment in November 2011
- Budget adjustment took place in January 2012
- IDP revision and consultation began in January 2012
- Draft IDP completed by May 2012
- Consultation with all departments with regard to 2012/13 budget inputs.
- April 2012 draft budget is presented to Finance Committee, and recommendation made adoption to Council.
- IDP and budget adopted by Council in May 2012.

2.1.2 IDP and SDBIP

The Municipality's IDP is a key strategic document which directly guides the planning, budget, management and development of the Municipality. All community requirements and key strategic objectives are identified, and subsequently inform the SDBIP.

The process plan, for the IDP-Review 2011/2012 and planning 2012/2013, pursuant to Section 28 (3) and 34 (b) of the Municipal Systems Act (Act no 32 of 2000) was adopted at a Council Meeting on 06 October 2011 and was advertised on Municipal notice boards and in the local newspaper to allow community participation.

The process followed when reviewing the IDP is similar to the one adopted during the IDP preparation process. Similar structures used in the IDP preparation process are used in the IDP-Review process; these are the IDP-Representative Forum and the IDP-Steering

The process of the IDP-Budget linkage was achieved through the following process: Each Head of Department in consultation with the acting Municipal Manager and IDP Officer identify projects for their departments from the priority lists for IDP project implementation in the 2012/2013 financial year. The projects will be discussed in the Budget-Steering Committee meeting and a preliminary budget will be allocated to each identified project. A draft budget was presented to the community after adoption by Council and later advertised for comments in the newspaper. After the advertisement period the budget was be presented to Council for approval and adoption.

The key issues identified by the communities were as follows

Ward 1

1. Full winterbourne sewerage
2. 94 sites (water, sanitation and electricity)
2. 94 sites (housing subsidy applications)
3. Development of taxi-rank
4. Resealing of Mataleng tar roads
5. Development of residential sites
6. Removal of rocks and stones to make areas more accessible
7. Early child hood development centre (crèche)
8. Development of parks and recreational facilities

WARD2

1. Development of Taxi Routes - Aandblomstraat, Dahliastraat, Irisstraat, Spitskopweg.
2. Speedbumps on new roads (Spitskopweg, De Beershoogte and Holpan)
3. Street and Stormwater drainage (Spitskopweg, De Beershoogte and Holpan)
4. Renovation of De Beershoogte Community hall and repair of fence
5. Renovation / repair of old swimming pool
6. Cemetery: Repair ablution, fence, extention and provision for ablution in Holpan
7. Construction of Clinics (Spitskopweg)
8. Construction of a community hall (Spitskopweg)
9. Fencing of Spitskopweg quarries
Provision of highmast lights (De Beershoogte)

10. Removal of refuse dumps and development of parks on public open spaces and around schools
11. Provision of more commonage land for grazing of livestock (Barkly-West and Holpan)
12. Development of bicycle and wheelchair route
13. Bell-mouth development to De Beershoogte Clinic for entry from ZK Matthews hospital
14. Taxi rank development for De Beershoogte
15. Provision of public toilets in CBD
16. Early childhood development centre (crèche)

WARD3.

1. Rooirand street and stormwater drainage
2. Installation of 5 highmast lights
3. Construction of Rooirand community hall
4. Removal of stones and rocks
5. Construction of public amenities
6. Development of taxi facilities
7. Installation of streetlights from the bridge to Mataleng junction
8. Entrance signage (welcome)
9. Development of sideways/wheelchair.
10. Early childhood development centre (crèche)
11. Completion of housing development (Spitskopweg)

WARD4

1. Construction of stormwater drainage and roads
2. Water and sanitation 300 sites (basic service)
3. Street and stormwater for new development
4. Existing graveyard-extension
5. Upgrade of road infrastructure in town.
6. Upgrading of office and community hall
7. Street names and road signage
8. Street and storm drainage/Stillwater
9. Sanitation Infrastructure
10. Subdivision of 52 sites for residential purpose
11. Community Hall
12. Cemeteries
13. Highmast Lights
14. Sports field
15. Taxi Rank
10. Early childhood development centre (crèche)

WARD5

1. Street and stormwater drainage
2. Establishment of landfill sites
3. 3de phase electrical networks
4. Construction of Community Hall
5. Development of 600 new sites
6. Upgrading on community centre
7. Facilitation of clinic services
8. Construction of Longlands entrance road
9. Gong-gong township establishment
10. Development of a park on Longlands

11. Early childhood development centre (crèche)

WARD6

1. Township establishment extension in Delpportshoop/Barkly west
2. Land availability for farming/ Livestock
3. Early childhood development (chreche)
4. Rooikoppies access road
5. Rooikoppies internal roads & stormwater drainage
6. Koopmansfontein LED – Projects (Agriculture & Farming)
7. Transfer of property (Koopmansfontein homedwellers)
8. Data capturing Dancarl community (Backlogs)
9. Provision of surveyed church/business sites
10. Extention of old Rooikoppie graveyard
11. Job creation
12. Refuse Bins

WARD 7

1. Feasability study – Delpportshoop waterpurification plant
2. Water provision for 150 sites
3. street and stormwater for 150 sites
4. Housing subsidy submission for 150 units
5. Street and stormwater – Tidimalo
6. Upgrading of Proteahof community hall
7. Refuse removal storage containers
8. Commonage land for farming
10. Development of Delpportshoop taxi rank
11. Land for Churches (Provision of church-sites)
12. Stormwater drainage
13. Recreational facilities
14. 200 Sites
15. Early childhood development centre (crèche)

A list of all priority projects are listed below:

	Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6	Ward 7
Sewerage	√			√			
Roads	√	√	√	√	√	√	√
Site development (services)	√			√			√
Township Development				√	√	√	√
Water							√
Electrical		√	√		√		
Refuse & Waste		√			√		√
Agriculture		√				√	√
Housing	√		√		√	√	√
Community Halls		√	√	√	√		√
Early Childhood development	√		√		√	√	√
Taxi ranks	√	√	√				√
Cemeteries		√		√			
Recreational facilities		√					√
Public Amenities		√	√				
Clinics		√			√		
Road signage			√	√			
Parks and open spaces	√	√			√		

All priority projects and programmes have been included in the SDBIP

2.1.3 Funding the IDP

Table 11 (Capital Budget) allocates some R61 million to capital expenditure. For the 2012/13 financial year, some 90 per cent of the capital budget is to be spent on roads and storm water, the top IDP priority.

2.2 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Dikgatlong Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

The performance of the Dikgatlong Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury.

Measurable performance objectives and benchmarks

The municipality has developed a SDBIP, contained within are all the detailed outputs and outcomes. This document acts as the basis for the performance delivery targets.

2.2.1 Performance indicators and benchmarks

2.2.1.1 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.2.1.2 Creditors Management

- The municipality has managed to ensure that most creditors are settled within the legislated 30 days of invoice.

2.2.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

For the 2012/13 financial year 5 000 registered indigents have been provided for in the budget with this figure increasing to 6 000 by 2013/14. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ free water, 50 kwh of electricity, 6 kℓ sanitation and free waste removal equivalent to 85ℓ once a week, as well as a discount on their property rates.

2.2.3 Providing clean water and managing waste water

The Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The bulk of the Municipality's bulk water needs are provided directly by Sedibeng and Vaalharts Water

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

The following is briefly the main challenges facing the Municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased demand for clean water;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the municipality is embarking on a training programme, especially for operational personnel;

2.3 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.3.1 Review of credit control and debt collection procedures/policies

The Credit Policy has been approved by Council. Short term measures have been put in place to deal with outstanding debt which includes repayment rates linked to household income.

The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 50 per cent on current billings.

2.3.2 Asset Management

The municipality is currently undertaking a complete asset count (movable and fixed) as well as policies, procedures etc. An asset management unit and staff has been established. All aspects with regard to assets will be fully implemented in the 2012/13 financial year.

2.3.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Dikgatlong Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.3.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council which is in line with the Treasury Guidelines and Regulations. An amended policy will be considered by Council in due course due to changes required by Provincial Treasury. A specific Supply Chain unit has been established in the Finance Department.

2.3.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipal system of delegations. The Budget and Virement Policy was approved by Council and amendments to the existing policy would be performed in the near future before the implementation of this budget.

2.3.6 Cash Management and Investment Policy

The Municipality is also in process of developing a Cash Management and Investment Policy which will be table before Council to be adopted and approval by Council in 2012/13. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.3.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved and the 2012/13 tariffs have been adopted.

2.4 Overview of budget assumptions

2.4.1 External factors

Owing to the economic slowdown, financial resources are limited due to a slow increase payment levels by consumers. In general the commercial sector in the municipality has had marginal economic growth, and the development of the housing sector has been minimal due to the limited funds from Provincial government.

2.4.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipal residents and businesses;
- The impact of municipal cost drivers;
- The significant increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise about 30 per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

2.4.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. Currently the municipality has no overdraft, and the DBSA loans are nearing an end. There are no long term investments, and any short term surplus is invested in a money market account.

2.4.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (40 per cent) of annual billings. Cash flow is assumed to be 40 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The projected revenue collection for the 2012/13 financial year is 50 per cent. The municipality is currently on a rigorous drive to not only increase revenue collection, but also to reduce the debtor rate.

2.4.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Dikgatlong Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.4.6 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. For the 2012/2013 financial year salary increases was calculated using a 6 per cent increase and would be amended when a new collective agreement regarding salaries and wages are signed

2.4.7 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

In terms of the national priorities, the only real impact the municipality can have is to increase job creation. For the 2011/12 financial year, the municipality increased their own staff compliment by some 50 people. The small economy of the municipality does not allow for significant increases in employment, however, the municipality has and still is undertaking a number of EPWP projects, which creates some 500 part time jobs over the year.

2.4.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget. For the 2010/11 and the 2011/12 financial year, spending on the MIG programmes was slow, mainly due to staff shortage and projects not being

registered with MIG. For the 2012/13 financial year, spending will be on track, and a total of R123 million projects have been registered with MIG.

2.5 Overview of budget funding

2.5.1 Medium-term outlook: operating revenue

The Table 2 (summary of revenue classified by main revenue source) gives a breakdown of the operating revenue over the medium-term: Some 55 per cent of revenue is generated from own sources – services – and the remainder from transfers from national and provincial government. For the outer years, there is an increase in own sources, mainly due to increased emphasis on collection rates and recovery of outstanding debtors.

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipalities derives most of its operational revenue from the equitable share and provision of goods and services such as water, electricity, sanitation. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 50 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2012/13 MTREF on the different revenue categories are contained in Tables 4,5,6,7,8.:

Revenue to be generated from property rates is R7.5 million in the 2012/13 financial year and increases to R9,075 million by 2014/15 which represents 21 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is in a process of updating the valuation role, and this should be completed by 2013. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the 2nd quarter of the 2013/14 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R47.7 million for the 2011/12 financial year and increasing to R50.4 million by 2013/14. For the 2011/12 financial year services charges amount to 54 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R49.3 million, R52.2 million and R56.1 million for each of the respective financial years of the MTREF. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF.

2.5.2 Medium-term outlook: capital revenue

The capital breakdown of the funding composition of the 2012/13 medium-term capital programme is contained in Table 11.

Figure 2 Sources of capital revenue for the 2011/12 financial year

Capital grants and receipts equates to 60 per cent of the total funding source which represents R30.3 million for the 2011/12 financial year and steadily increase to R75.5

It is projected that no borrowing will take place over the MTREF.

2.5.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance.
-

2.5.3.1 Cash/cash equivalent position

The Dikgatlong Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

2.5.3.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 19.

scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.5.3.3 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

2.5.3.4 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Dikgatlong Municipality has budgeted for all transfers.

2.5.3.5 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend of 40 % in line with the Dikgatlong Municipality's policy of settling debtors accounts within 30 days.

2.5.3.6 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Dikgatlong Municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 28

2.5.3.7 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 20.

2.6 Councillor and employee benefits

Councillor and employee benefits are set out in Table 9.

2.7 Annual budgets and SDBIPs – internal departments

2.7.1 Water Services Department

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

Currently the municipality has outstanding debt to both Sedibeng and Vaal Harts water. Agreements have been signed to settle the debt, and by 2013/14 all accounts will be level.

2.8 Contracts/commitments having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

The only commitments the municipality has (as mentioned above) is with Sedibeng and Vaal Hartswater.

2.9 Capital expenditure details

The following three tables present details of the Dikgatlong Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 22 Capital expenditure on new assets by asset class

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		11 819	15 867	23 633	28 207	29 626	29 626	61 314	71 265	73 482
Infrastructure - Road transport		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
<i>Roads, Pavements & Bridges</i>		2 644	2 238	5 000	27 310	28 729	28 729	55 917	22 298	21 310
Infrastructure - Electricity		3 795	952	897	897	897	897	2 897	4 242	4 897
<i>Transmission & Reticulation</i>		3 795	952	897	897	897	897	2 897	4 242	4 897
Infrastructure - Water		2 149	7 902	12 400	-	-	-	500	40 000	40 000
<i>Reticulation</i>		2 149	7 902	12 400	-	-	-	500	40 000	40 000
Infrastructure - Sanitation		3 231	4 775	5 336	-	-	-	2 000	4 725	7 275
<i>Reticulation</i>		3 231	4 775	5 336	-	-	-	2 000	4 725	7 275
<u>Community</u>		224	-	600	-	-	-	-	-	-

Other		224	–	600	–	–	–	–	–	–
<u>Investment properties</u>		–	–	–	–	–	–	13 500	–	–
Other		–	–	–	–	–	–	13 500	–	–
<u>Other assets</u>		605	647	907	–	–	–	520	304	250
Specialised vehicles	10	533	601	601	–	–	–	–	–	–
Plant & equipment		533	601	601	–	–	–	220	210	205
Computers - hardware/equipment		–	–	–	–	–	–	50	40	10
Furniture and other office equipment		72	46	306	–	–	–	250	54	35
<u>Intangibles</u>		–	–	–	–	–	–	184	–	–
Computers - software & programming		–	–	–	–	–	–	184	–	–
Total Capital Expenditure on new assets	1	12 648	16 514	25 140	28 207	29 626	29 626	75 518	71 569	73 732

Table 23 Repairs and maintenance expenditure by asset class

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>										
-										
<u>Infrastructure</u>		1 054	1 092	1 208	–	–	–	250	300	840
Infrastructure - Road transport		126	128	141	–	–	–	50	60	60
<i>Roads, Pavements & Bridges</i>		116	116	128	–	–	–	50	60	60
<i>Storm water</i>		10	12	13	–	–	–	–	–	–
Infrastructure - Electricity		692	757	832	–	–	–	50	60	60
<i>Transmission & Reticulation</i>		680	743	816	–	–	–	50	60	60
<i>Street Lighting</i>		12	14	16	–	–	–	–	–	–
Infrastructure - Water		146	159	183	–	–	–	50	60	60
<i>Reticulation</i>		146	159	183	–	–	–	50	60	60
Infrastructure - Sanitation		–	–	–	–	–	–	50	60	600
<i>Reticulation</i>		–	–	–	–	–	–	50	60	600
Infrastructure - Other		90	48	52	–	–	–	50	60	60
<i>Waste Management</i>		90	48	52	–	–	–	50	60	60
<u>Community</u>		140	346	374	–	–	–	328	384	391
Community halls		–	–	–	–	–	–	200	250	250
Cemeteries		–	–	–	–	–	–	60	60	60
Other		140	346	374	–	–	–	68	74	81

<u>Heritage assets</u>		537	665	737	-	-	-	-	-	-
Buildings		537	665	737	-	-	-	-	-	-
<u>Other assets</u>		2 279	1 602	1 912	1 695	1 465	1 465	250	100	50
Specialised vehicles	10	2 279	1 602	1 912	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	250	100	50
Other		-	-	-	1 695	1 465	1 465	-	-	-
Total Repairs and Maintenance Expenditure	1	4 009	3 705	4 232	1 695	1 465	1 465	828	784	1 281

<u>Specialised vehicles</u>		2 279	1 602	1 912	-	-	-	-	-	-
Refuse		2 279	1 602	1 912	-	-	-	-	-	-
<i>R&M as a % of PPE</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	1.2%	1.9%
<i>R&M as % Operating Expenditure</i>		8.8%	6.6%	6.2%	2.4%	1.9%	1.9%	1.0%	0.9%	1.4%

Table 24 Future financial implications of the capital budget

Vote Description	Ref	2012/13 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18	Present value
R thousand								
Capital expenditure	1							
Vote 1 - MAYOR AND COUNCIL		18	-	-	250	300	50	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		-	-	-	10	150	20	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER		50	-	-	150	200	250	-
Vote 4 - CORPORATE SERVICES		236	79	20	60	150	200	-
Vote 5 - TECHNICAL SERVICES		75 214	71 490	73 712	84 769	97 484	112 107	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-
List entity summary if applicable		-	-	-	-	-	-	-
Total Capital Expenditure		75 518	71 569	73 732	85 239	98 284	112 627	-
Future operational costs by vote	2							
Vote 1 - MAYOR AND COUNCIL		7 430	7 948	8 466	9 313	10 244	11 268	-
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		1 049	1 238	1 285	1 414	1 555	1 710	-
Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER		19 994	20 022	20 549	22 604	24 864	27 351	-
Vote 4 - CORPORATE SERVICES		8 277	8 883	9 184	10 102	11 113	12 224	-
Vote 5 - TECHNICAL SERVICES		44 716	47 003	49 163	54 079	59 487	65 436	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-
List entity summary if applicable		-	-	-	-	-	-	-
Total future operational costs		81 467	85 094	88 647	97 512	107 263	117 989	-
Future revenue by source	3							
Property rates		7 500	8 250	9 075	9 983	10 981	12 079	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-
Service charges - electricity revenue		23 941	25 282	26 672	29 339	32 273	35 500	-
Service charges - water revenue		14 042	14 814	15 555	17 111	18 822	20 704	-
Service charges - sanitation revenue		3 016	3 181	3 356	3 692	4 061	4 467	-
Service charges - refuse revenue		6 770	7 142	7 535	8 289	9 117	10 029	-
Service charges - other		-	-	-	-	-	-	-
Rental of facilities and equipment		300	350	350	400	400	450	-
Other Revenue - operational		58 236	59 609	67 125	73 838	81 221	89 343	-
Other Revenue - capital		43 180	71 341	73 482	80 830	88 913	97 805	-
Total future revenue		156 985	189 969	203 150	223 480	245 788	270 377	-
Net Financial Implications		(0)	(33 306)	(40 771)	(40 730)	(40 241)	(39 761)	-

Table 25 Detailed capital budget per municipal vote

Municipal Vote/Capital project	Ref			IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2012/13 Medium Term Revenue & Expenditure Framework			Project information	
R thousand	4	Program/Project description	Project number	2	6	3	3	5		Audited Outcome 2010/11	Current Year 2011/12 Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>																
Spitskopweg: Upgrading of Road and Storm Water		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		13 500	-	13 500	13 500	-	-	3	New
Upgrading of Water Purification Plant, Pipeline		Upgrading of Road and Storm Water			Yes	Infrastructure - Water	Water purification		40 500	-	-	500	20 000	20 000	4	New
Building of Oxidation Pond (Holpan, Sillwater)		Building of Oxidation Ponds			No	Infrastructure - Water	Reticulation		40 000	-	-	-	20 000	20 000	4	New
Electrification of Proteahof 125		Electrification			Yes	Infrastructure - Electricity	Transmission & Reticulation		897	-	897	897	-	-	7	New
Electrification of Londlands 186		Electrification			Yes	Infrastructure - Electricity	Transmission & Reticulation		1 860	-	-	1 860	-	-	5	New
Electrification of Proteahof 125 (phase 2)		Electrification			Yes	Infrastructure - Electricity	Transmission & Reticulation		1 250	-	-	140	1 110	-	7	New
Bulk Electrification		Electrification			No	Infrastructure - Electricity	Transmission & Reticulation		4 000	-	-	-	2 000	2 000	1,2&3	New
Windsorion: Upgrading of Roads and Storm Water		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		81 000	-	8 100	8 100	-	-	4	New
Rookoppies: Upgrading of Road and Storm Water		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		23 000	-	18 118	12 000	4 000	-	6	New
Longlands: Upgrading of Road and Storm Water		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		23 000	-	18 118	12 000	4 000	-	5	New
Holpan: Provision of Roads and Storm Water		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		3 500	-	3 000	3 000	275	-	4	New
Sillwater: Provision of roads		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		18 118	-	18 118	6 100	10 000	-	4	New
Proteahof: Upgrading of Roads and Storm Water		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		18 118	-	12 500	12 717	4 023	1 360	7	New
Windsorion: Upgrading of Roads and Storm Water		Upgrading of Road and Storm Water			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		19 950	-	-	-	-	19 950	4	New
Feasibility studies landfill site (Sillwater, Holpan)		Feasibility Study			Yes	Infrastructure - Other	Waste Management		2 000	-	-	2 000	-	-	4&3	New
Landfill projects		Construction of Landfill Sites			No	Infrastructure - Other	Waste Management		30 000	-	-	-	4 725	7 275	4&3	New
Parent Capital expenditure	1											72 814	70 133	70 585		
Entities: <i>List all capital projects grouped by Entity</i>																
Entity A																
Water project A									-	-	-	-	-	-		
Entity B																
Electricity project B									-	-	-	-	-	-		
Entity Capital expenditure										-	-	-	-	-		
Total Capital expenditure										-	92 351	72 814	70 133	70 585		

2.10 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format has not been fully complied with on a monthly basis, however with the appointment of the Compliance Officer compliance relating to reporting to the National Treasury has fairly improved. Section 71 reporting to the Mayor (within 10 working days) has progressively improved. The municipality is planning to upgrade its website to improve reporting to all stakeholders which will include monthly published financial performance on the municipalities website.
 2. Internship programme
The Dikgatlong Municipality is participating in the Municipal Financial Management Internship programme and has employed four (4) interns undergoing training in various divisions of the Financial Services Department. Of the four interns one has received permanent employment somewhere and the other three are continuing with their internship programme. The municipality is envisaging to employ all three on a permanent basis once their contracts expire during the 2012/2013 financial year. This was the first time the municipality has participated in the programme and is envisaging to extend the programme and also to fund some additional interns and learners from its own operating budget during 2012/2013.
 3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA during the 2011/2012 financial year and are fully functional represented by the Compliance Officer.
 4. Audit Committee
A Shared Audit Committee under the Frances Baard District Municipality has been established and is fully functional. The Shared Audit Committee is represented by three (3) municipalities within the district namely Dikgatlong Municipality, Magareng Municipality and the Phokwane Municipality.
 5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.
 6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
 7. MFMA Training
The municipality has with the assistance of Provincial Treasury, National Treasury and the Frances Baard District municipality introduced the MFMA training module in electronic format is presented on an on going basis.
 8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.
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2.11 Other supporting documents

Table 26 Supporting detail to budgeted financial performance

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		3 568	3 889	4 200	7 500	7 500	7 500	7 500	7 500	8 250	9 075
Net Property Rates		3 568	3 889	4 200	7 500	7 500	7 500	7 500	7 500	8 250	9 075
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		8 911	12 030	14 977	17 000	17 000	17 000	17 000	23 941	25 282	26 672
Net Service charges - electricity revenue		8 911	12 030	14 977	17 000	17 000	17 000	17 000	23 941	25 282	26 672
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		6 294	6 744	7 282	5 000	5 000	5 000	5 000	14 042	14 814	15 555
Net Service charges - water revenue		6 294	6 744	7 282	5 000	5 000	5 000	5 000	14 042	14 814	15 555
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		1 820	2 111	2 280	2 000	2 000	2 000	2 000	3 016	3 181	3 356
Net Service charges - sanitation revenue		1 820	2 111	2 280	2 000	2 000	2 000	2 000	3 016	3 181	3 356
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		3 770	4 147	4 479	2 000	2 000	2 000	2 000	6 770	7 142	7 535
Net Service charges - refuse revenue		3 770	4 147	4 479	2 000	2 000	2 000	2 000	6 770	7 142	7 535
<u>Other Revenue by source</u>											
Sale of graves		23	25	28	-	-	-	-	50	60	80
Sale of sand		5	6	12	-	-	-	-	100	100	100
Entrance Fees - Resorts		68	73	70	-	-	-	-	-	-	-
Building Plans		20	20	22	-	-	-	-	20	21	22
Commonage Diggings		9	-	-	-	-	-	-	-	-	-
Sundries Income		800	-	-	648	648	648	648	49	60	61
Valuation Certificates		-	2	3	-	-	-	-	-	-	-
Photocopies		14	15	15	-	-	-	-	5	5	6
Total 'Other' Revenue	1	939	142	149	648	648	648	648	225	246	269
EXPENDITURE ITEMS:											
<u>Employee related costs</u>	2										
Basic Salaries and Wages		10 704	12 969	13 542	19 531	15 362	15 362	15 362	20 513	21 541	22 620
Pension and UIF Contributions		2 471	2 789	3 088	5 441	4 404	4 404	4 404	3 898	4 093	4 298
Medical Aid Contributions		1 299	1 509	1 542	-	-	-	-	1 469	1 566	1 566

Overtime		822	999	1 316	289	490	490	490	428	428	428
Performance Bonus		1 059	1 230	1 420	-	-	-	-	341	401	401
Motor Vehicle Allowance		1 113	1 187	1 124	-	-	-	-	150	150	150
Cellphone Allowance		6	380	453	-	-	-	-	364	383	383
Housing Allowances		207	380	301	-	-	-	-	473	530	539
Other benefits and allowances		335	338	583	2 427	2 671	2 671	2 671	978	1 004	1 025
Payments in lieu of leave		107	908	948	-	-	-	-	-	-	-
sub-total	5	18 122	22 690	24 317	27 688	22 927	22 927	22 927	28 613	30 096	31 410
<u>Less: Employees costs capitalised to PPE</u>		-	-	-	-	-	-	-	-	-	-
Total Employee related costs	1	18 122	22 690	24 317	27 688	22 927	22 927	22 927	28 613	30 096	31 410
Contributions recognised - capital											
<i>Capital projects - Electricity</i>		(3 795)	(952)	(897)	(897)	(897)	(897)	(897+)	(2 897)	(4 242)	(4 897)
<i>Capital projects - Town Planning</i>		(224)	-	(600)	-	-	-	-	-	(40 005)	(40 015)
<i>Capital Projects - Water</i>		(2 149)	(7 902)	(12 400)	-	-	-	-	(500)	-	-
<i>Sanitation</i>		(3 231)	(4 775)	(5 336)	-	-	-	-	-	-	-
<i>Stormwater Drainage</i>		(2 644)	(2 238)	(5 000)	-	-	-	-	-	-	-
<i>Other Capital</i>		(72)	(46)	(306)	(27 723)	(27 723)	(27 723)	(27 723)	(72 121)	(27 322)	(28 820)
Total Contributions recognised - capital		(12 115)	(15 913)	(24 539)	(28 620)	(30 359)	(30 359)	(30 359)	(75 518)	(71 569)	(73 732)
Depreciation & asset impairment											
Total Depreciation & asset impairment	1	-	-	-	-	-	-	-	-	-	-
Bulk purchases											
Electricity Bulk Purchases		7 027	9 419	12 002	12 000	16 800	16 800	16 800	19 001	20 046	21 148
Water Bulk Purchases		4 824	5 500	7 940	6 000	6 000	6 000	6 000	6 000	6 330	6 539
Total bulk purchases	1	11 851	14 919	19 942	18 000	22 800	22 800	22 800	25 001	26 376	27 687
Transfers and grants											
Total transfers and grants	1	-	-	-	-	-	-	-	-	-	-
Contracted services											
<i>Security Outsources</i>		816	1 200	1 320	-	-	-	-	1 000	1 200	1 300
sub-total	1	816	1 200	1 320	-	-	-	-	1 000	1 200	1 300
Allocations to organs of state:											
Total contracted services		816	1 200	1 320	-	-	-	-	1 000	1 200	1 300
Other Expenditure By Type	-										
Consultant fees		46	838	932	1 920	1 820	1 820	1 820	5 195	4 130	3 660
Audit fees		506	806	918	750	1 000	1 000	1 000	2 000	2 200	2 300
General expenses	3	3 041	3 408	3 568	15 709	21 479	21 479	21 479	2 085	2 186	2 190
<i>Advertisement</i>		87	80	88	-	-	-	-	156	163	123
<i>Subscriptions</i>		149	178	181	-	-	-	-	-	-	-
<i>Training</i>		1 353	923	1 157	-	-	-	-	481	530	575

Functions and Events	65	70	112	-	-	-	-	-	-	-	
Postage and Telephone	943	1 081	1 063	-	-	-	-	516	593	593	
Licenses - Computers	222	324	458	-	-	-	-	60	70	70	
Insurance	522	780	870	-	-	-	-	750	800	850	
Indigent Allocation	3 428	2 517	2 578	-	-	-	-	1 270	1 346	1 416	
Ward Committee Cost	123	131	1 034	-	-	-	-	840	840	840	
Special Programmes	90	90	90	-	-	-	-	680	800	900	
Mayoral Fund	75	84	91	-	-	-	-	-	-	-	
Office expenses	-	60	60	-	-	-	-	-	-	-	
Subsistence and Travelling	495	777	961	-	-	-	-	731	777	767	
Stationery	296	335	364	-	-	-	-	106	110	111	
Motor vehicle Fuels	-	-	-	-	-	-	-	888	671	730	
Motor Vehicle licences	-	-	-	-	-	-	-	14	14	14	
Accommodation	-	-	-	-	-	-	-	416	505	502	
Affiliation Fees (Salga Memberships)	-	-	-	-	-	-	-	450	500	550	
Catering	-	-	-	-	-	-	-	138	151	167	
Protective Clothing	-	-	-	-	-	-	-	62	62	62	
Chemicals	-	-	-	-	-	-	-	433	553	553	
Photography	-	-	-	-	-	-	-	12	13	17	
Total 'Other' Expenditure	1	11 441	12 483	14 526	18 379	24 299	24 299	24 299	17 282	17 012	16 989

Repairs and Maintenance by Expenditure Item	8										
Employee related costs		-	-	-	-	-	-	-	10	10	10
Other materials		-	-	-	-	-	-	-	277	330	333
Contracted Services		-	-	-	-	-	-	-	500	400	350
Other Expenditure		4 009	3 705	4 232	1 695	1 465	1 465	1 465	41	45	49
Total Repairs and Maintenance Expenditure	9	4 009	3 705	4 232	1 695	1 465	1 465	1 465	828	784	741

Table 27 Matrix financial performance budget (revenue source/expenditure type and department)

Description	Ref	Vote 1 - MAYOR AND COUNCIL	Vote 2 - OFFICE OF THE MUNICIPAL MANAGER	Vote 3 - OFFICE OF THE CHIEF FINANCIAL OFFICER (CFO)	Vote 4 - CORPORATE SERVICES	Vote 5 - TECHNICAL SERVICES	Total
R thousand	1						
Revenue By Source							
Property rates		-	-	7 500	-	-	7 500
Property rates - penalties & collection charges		-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	23 941	23 941
Service charges - water revenue		-	-	-	-	14 042	14 042
Service charges - sanitation revenue		-	-	-	-	3 016	3 016
Service charges - refuse revenue		-	-	-	-	6 770	6 770
Service charges – other		-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	-	300	300
Interest earned - external investments		-	-	50	-	-	50
Interest earned - outstanding debtors		-	-	6 000	-	-	6 000
Fines		-	-	20	-	-	20
Agency services		-	-	-	1 054	-	1 054
Other revenue		-	-	224	-	-	224
Transfers recognised – operational		-	-	50 802	-	-	50 802
Gains on disposal of PPE		-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	-	64 596	1 054	48 068	113 718
Expenditure By Type	-						
Employee related costs		1 322	929	5 548	5 132	15 683	28 613
Remuneration of councillors		3 191	-	-	-	-	3 191
Debt impairment		-	-	6 000	-	-	6 000
Finance charges		-	-	150	-	144	294
Bulk purchases		-	-	-	-	25 001	25 001
Contracted services		200	-	4 150	500	345	5 195
Other expenditure		2 717	324	4 061	2 441	3 544	13 088
Total Expenditure		7 431	1 253	19 909	8 073	44 716	81 382
Surplus/(Deficit)		(7 431)	(1 253)	44 687	(7 019)	3 352	32 337
Transfers recognised – capital		-	-	-	-	43 180	43 180
Contributions recognised – capital		(18)	(30)	(50)	(206)	(75 214)	(75 518)
Surplus/(Deficit) after capital transfers & contributions		(7 449)	(1 283)	44 637	(7 225)	(28 682)	(1)

Table 28 Supporting detail to Statement of Financial Position

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits < 90 days		-	-	-	18 298	18 298	18 298	18 298	20 144	21 252	21 805
Other current investments > 90 days		-	-	-	-	-	-	-	-	-	-
Total Call investment deposits	2	-	-	-	18 298	18 298	18 298	18 298	20 144	21 252	21 805
<u>Consumer debtors</u>											
Consumer debtors		-	-	-	17 478	17 478	17 478	17 478	18 351	21 104	22 265
<u>Less: Provision for debt impairment</u>		-	-	-	2 606	2 606	2 606	2 606	6 000	6 500	7 000
Total Consumer debtors	2	-	-	-	20 084	20 084	20 084	20 084	24 351	27 604	29 265
<u>Debt impairment provision</u>											
Balance at the beginning of the year		-	-	-	-	-	-	-	2 606	8 606	15 106
Contributions to the provision		-	-	-	2 606	2 606	2 606	2 606	2 000	2 500	3 000
Bad debts written off		-	-	-	-	-	-	-	4 000	4 000	4 000
Balance at end of year		-	-	-	2 606	2 606	2 606	2 606	8 606	15 106	22 106
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		-	-	-	-	-	-	-	75 518	71 569	73 732
<u>Less: Accumulated depreciation</u>		-	-	-	-	-	-	-	1 888	3 677	5 520
Total Property, plant and equipment (PPE)	2	-	-	-	-	-	-	-	73 630	67 892	68 212
LIABILITIES											
<u>Current liabilities – Borrowing</u>											
Current portion of long-term liabilities					2 545	2 545	2 545	2 545	2 799	2 956	3 252
Total Current liabilities – Borrowing		-	-	-	2 545	2 545	2 545	2 545	2 799	2 956	3 252
<u>Trade and other payables</u>											
Trade and other creditors		-	-	-	48 753	48 753	48 753	48 753	5 000	5 000	5 000
Unspent conditional transfers		-	-	-	-	-	-	-	-	8 000	5 000
VAT		-	-	-	1 767	1 767	1 767	1 767	2 000	2 000	2 000
Total Trade and other payables	2	-	-	-	50 520	50 520	50 520	50 520	7 000	15 000	12 000

2.12 Municipal manager's quality certificate

I, municipal manager of Dikgatlong Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Dikgatlong Municipality (NC092)

Signature _____

Date _____